

# GUAM USA

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Mr. Anthony C. Blaz

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GUAM ECONOMIC DEVELOPMENT  
and COMMERCE AUTHORITY

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Acting Administrator

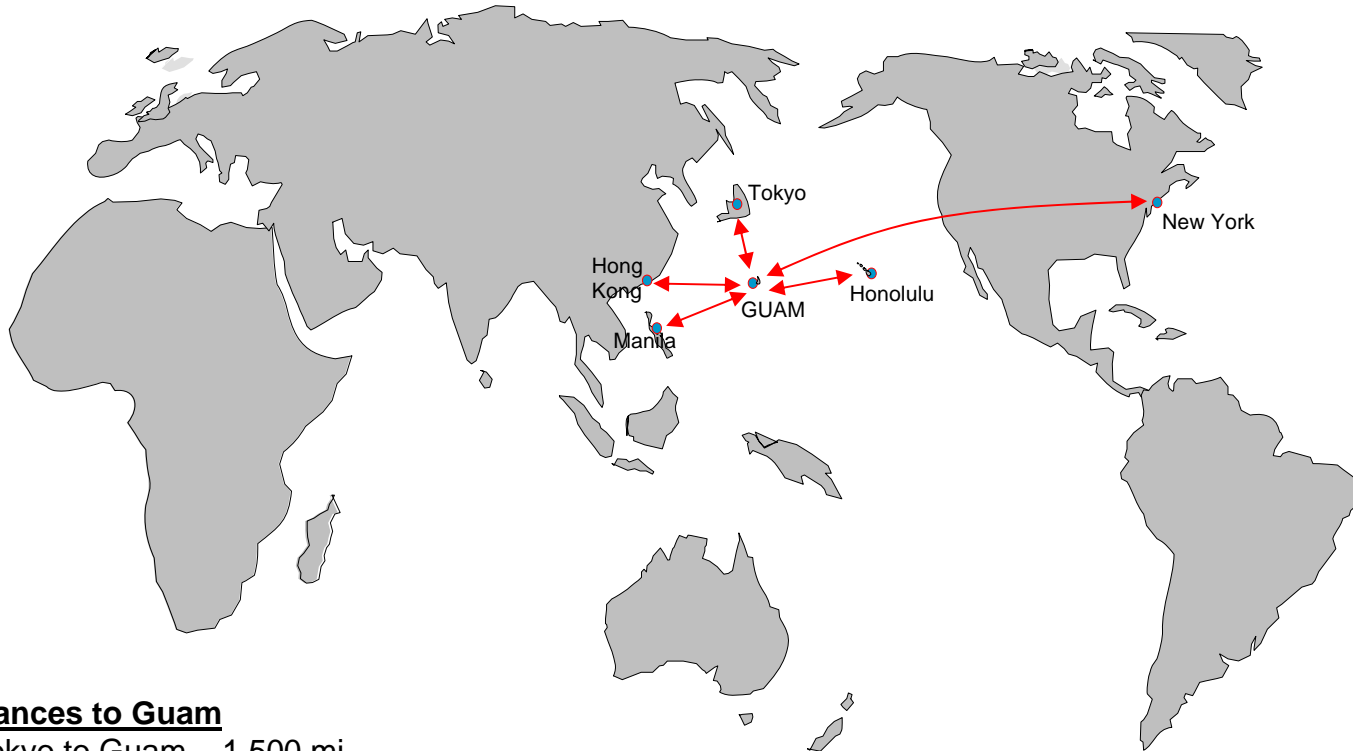
# Guam Overview

## Where America's Day Begins

- The westernmost territory of the U.S. and the largest island in the Marianas Archipelago and of the 2,000 islands in Micronesia
- 30 miles long and varies between 4 to 9 miles wide
- 2006 population was 171,019
- A strategic U.S. military post in the Western Pacific, in close proximity to major cities in Asia



## Guam's Strategic Location



### Distances to Guam

- Tokyo to Guam – 1,500 mi
- New York to Guam – 8,200 mi
- Honolulu to Guam – 3,800 mi
- San Francisco – 6,200 mi
- Hong Kong to Guam – 2,100 mi
- Manila to Guam – 1,600 mi

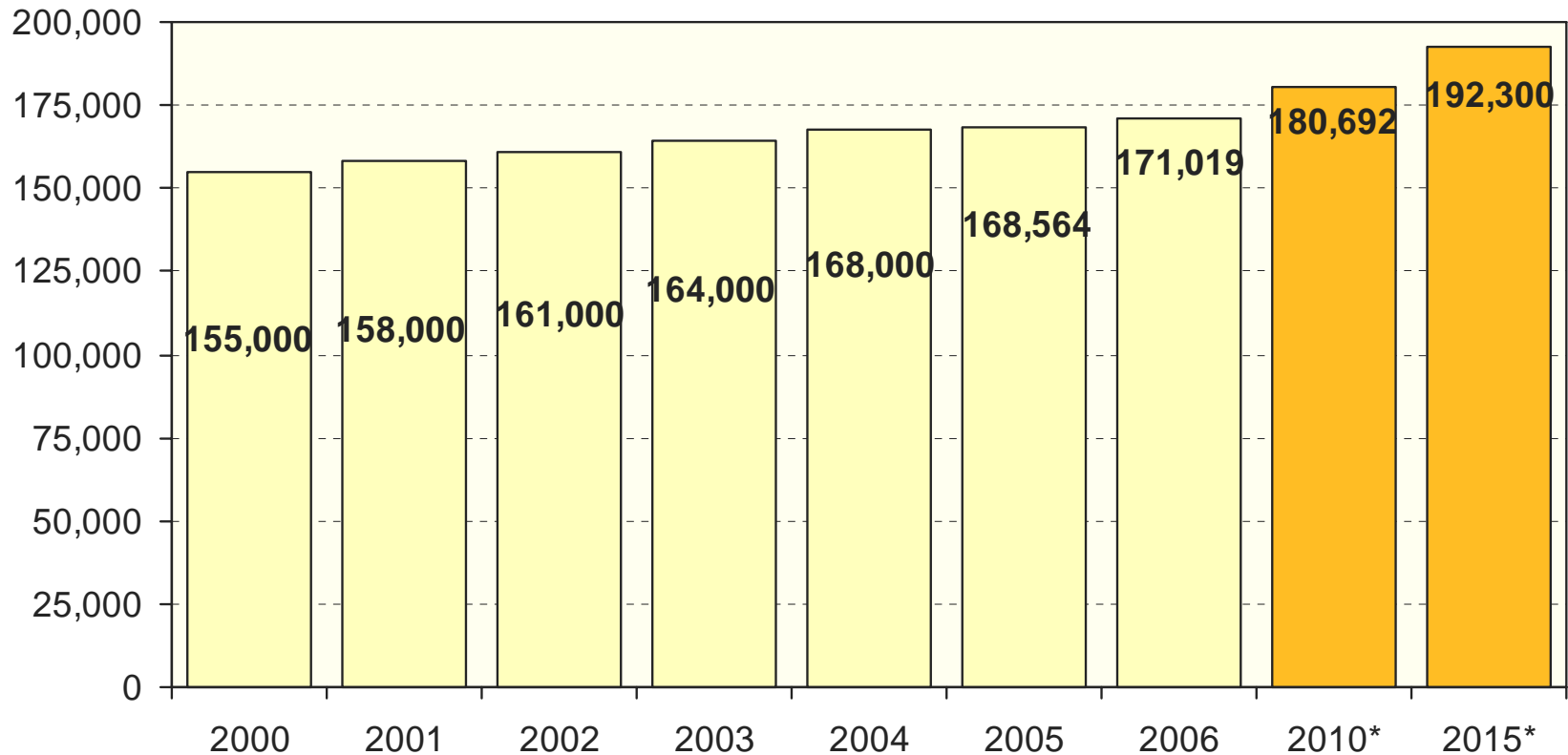
## ***Guam's Legal Structure***

- Guam is a territory of the United States and its residents are U.S. citizens
- Locally-elected executive and legislative branches and a locally appointed judicial branch
- Guam is subject to the power of Congress to
  - Make rules and regulations
  - Legislate directly for a territory
  - Establish congressional control over a territory
- The Revised Organic Act of 1954 serves as Guam's constitution
  - Contains contract clause language equivalent to that of the U.S. Constitution
- Under current federal law, the Government is not authorized to file for bankruptcy
- The power of legislature extends to all rightful subjects of legislation, so as long as it is not in conflict with U.S. law
- Many U.S. Government functions are located on the island and the territory elects a non-voting delegate to the U.S. House of Representatives
- Guam's Tax Code mirrors the Internal Revenue Code - however Guam residents not subject to state or federal income tax
  - There is no sales tax, wholesale tax, excise tax
- Guam's bonds are triple-tax exempt in all 50 states

## Guam's Population

- U.S. Census Bureau projects a 14% percent growth in Guam's population by 2015, not including projected military growth over the next 7 years

Historical and Projected Guam Population



Source: Economy.com; U.S. Census Bureau

## Employment

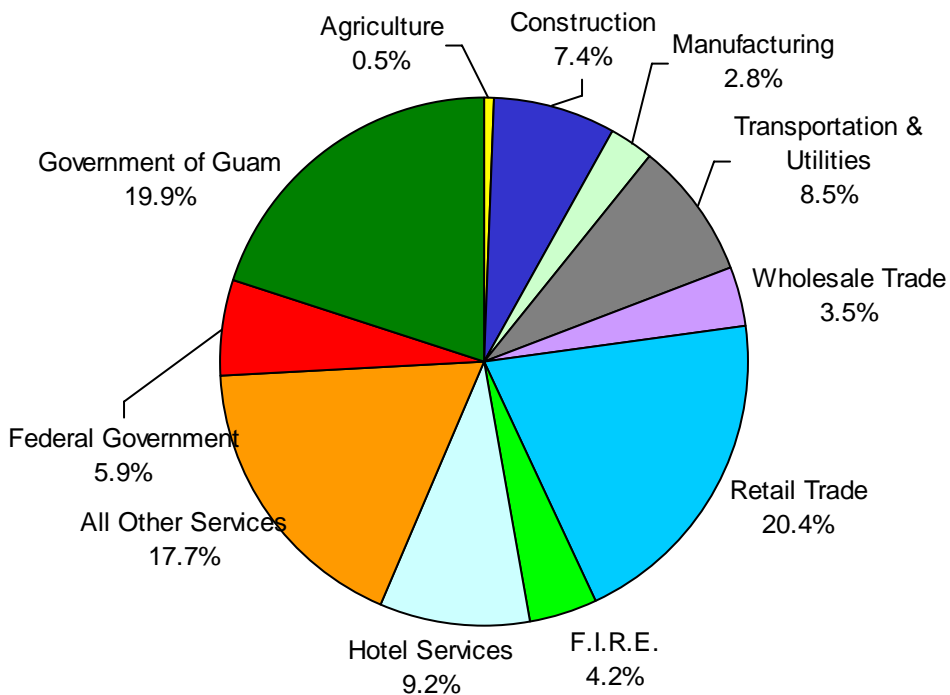
- Guam's employment mix is anchored in tourism services and military employment
- As of March 2006, Guam's unemployment rate was 6.9%

### Selected Employers

Selected Employers	
Andersen Air Force Base	Guam Industrial Services, Inc.
Atkins Kroll, Inc.	Hotels of the Marianas
AVON Products, Inc.	K-Mart
Baba Corporation	Macy's
Bank of Guam	Marriott
Bank of Hawaii	Pacific International, Inc.
Black Construction Corporation	PacificCare Asia Pacific
Calvo Enterprises	Ross
Citibank	Triple J. Enterprises, Inc.
Continental Micronesia	U.S. Naval Forces Marianas
DZSP 21	Verizon
Fiesta Resort	Xerox

Industry Employment	# of Employees
Government of Guam	11,970
Retail Trade	11,780
All Other Services	10,480
Hotel Services	5,440
Construction	5,150
Transportation & Utilities	4,970
Federal Government	3,420
F.I.R.E.	2,550
Wholesale Trade	2,040
Manufacturing	1,700
Agriculture	280

### Industry Employment by Sector



## Consumer Price Index

Consumer Price Index					
Group	CY 2006 Quarters				CY 2007 Quarter
	1st	2nd	3rd	4th	1st
All Items	131.43	135.09	136.79	141.40	143.90
Food & Beverage	167.36	167.74	171.77	169.13	173.38
Housing	86.71	88.19	89.06	87.56	91.23
Apparel & Upkeep	95.81	96.15	95.57	93.04	93.33
Transportation	135.00	153.87	150.81	144.23	144.28
Medical Care	400.84	405.46	415.89	578.73	579.61
Entertainment	83.64	83.64	83.63	83.63	83.79
Other Good & Services	153.47	157.10	163.22	164.82	164.74
Special Group					
All Items less Food & Beverage	119.30	124.08	124.98	132.05	133.95
Commodities less Food & Beverage	116.13	120.71	122.96	119.50	119.93
Commodities less Food & Beverage	142.08	144.54	147.69	144.64	147.01
Services	120.85	125.71	125.97	138.19	140.82
Purchase Power of Consumer					
Dollar (3rd Atr. 1996 = 100.00)	0.76	0.74	0.73	0.71	0.69

Source: Cost of Living Section, Economic Research Center, Bureau of Statistic and Plans, Government of Guam

## Real Estate

- Real estate activity on Guam has improved
- Single family median home prices have increased 9% to \$170,000 in 4<sup>th</sup> Quarter 2006 as compared to 4<sup>th</sup> Quarter 2005, a steep rise from \$106,500 when the real estate market hit bottom in 2003
- Condominium prices remained constant at \$115,000 in 4<sup>th</sup> Quarter 2006 compared to 4<sup>th</sup> Quarter 2005
- Total sales volume was strong, reaching \$149.0 million in 4<sup>th</sup> Quarter 2006 as compared to \$55.00 million in 4<sup>th</sup> Quarter 2005

GUAM'S APARTMENT SECTOR MARKET				
LOCATION	NO. OF UNITS	DOWNTURN PRICE	RECENT RESALE	PERCENT INCREASE
MANGILAO	28	\$950,000	\$1,580,000	66.3%
TAMUNING	6	\$425,000	\$580,000	36.5%
MANGILAO	10	\$250,000	\$435,000	74.0%
TAMUNING	20	\$425,000	\$800,000	23.1%
TUMON	22	\$4,020,000	\$7,400,000	84.1%

## *New Development Projects*

- **Former Tropicana Hotel to be transformed into the new 83 unit Charterhouse Apartment Complex** - Guam oldest hotel located in the heart of Guam's tourist district was built in the 1970s and sustained typhoon damages in 2000. (KUAM.com April 26, 2007)
- **Gun Beach soon to be home of a 35 stories high "Two Lovers Towers"** – A multimillion dollar venture in the heart of Guam's tourist district, complete with hundreds of executive condominiums, a village arcade containing a mini shopping mall and restaurants, and the island's largest water park. (KUAM.com June 05, 2007)
- **10.4 acre Cliffline Property sold for \$12 Million** – Part of the sales package: an approved land-use plan, which includes height variance for condominium units and townhouses and lots of green space. (guampdn.com July 09, 2007)
- **\$1.25 Billion Road** – At the tail end of the 10 year military buildup, the Pentagon proposes to build an alternate highway that links Anderson Airforce Base in the north and Naval Activities in Piti. (Department of Defense)

## ***Tourism Industry***

### • **Tourism Highlights**

- Visitor arrivals **increased by 28% from 2003 to 2004 and 6% from 2004 to 2005, but declined by 1% from 2005 to 2006**
- Visitor spending **increased to \$697 per person in 2005** from \$472 per person in 2002
  - Focused marketing to higher yielding and longer duration visitors
- Hotel occupancy rates in 2006 decreased to 60% from 2005's 63%
- The average room rate in 2006 was \$106/ day
- The industry continues to benefit from economic health in the Asia-Pacific region; Japan continues to be the predominant tourist group



**Tumon Beach**

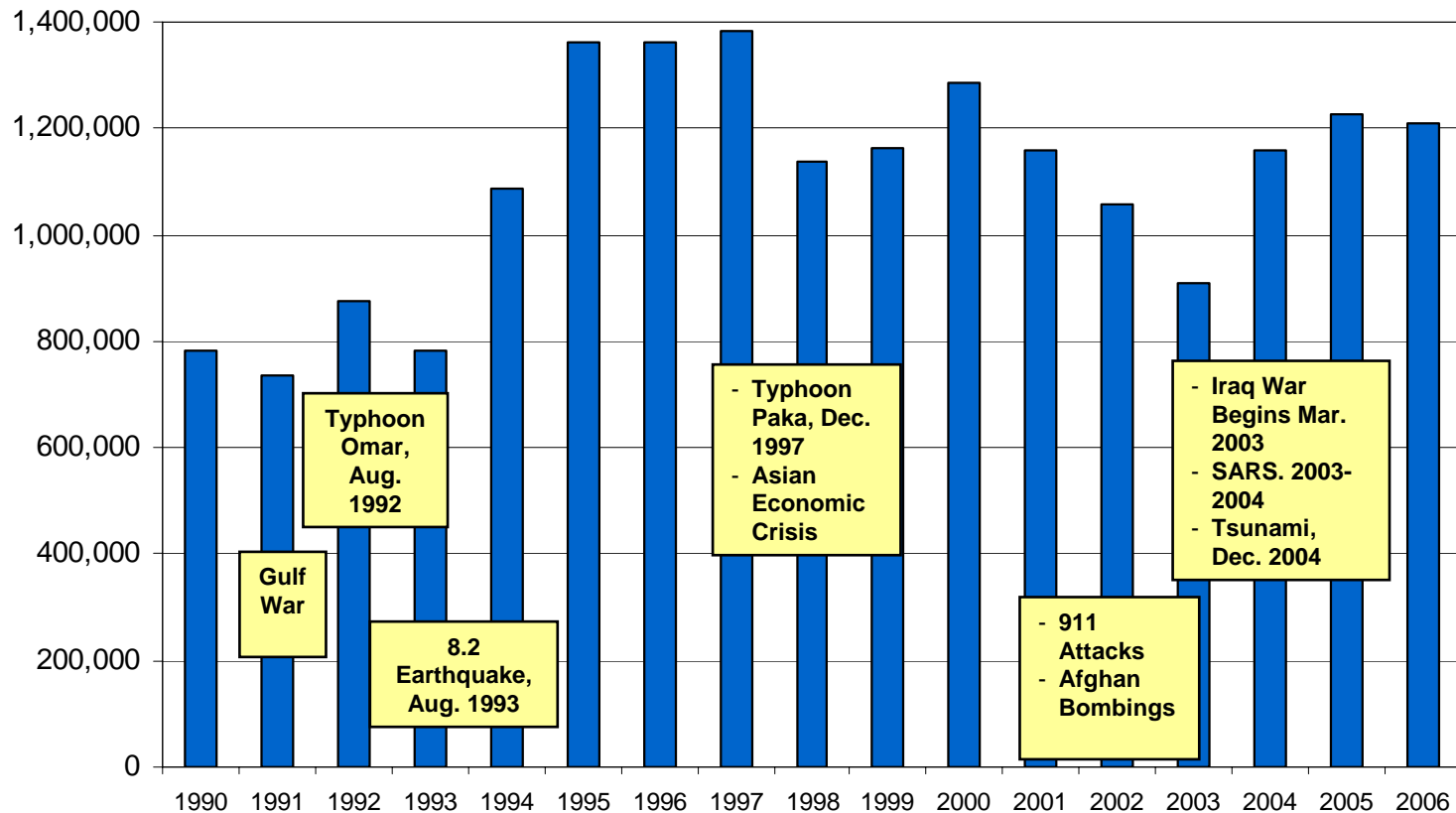
### • **Significant investment in tourism in the last few years**

- Okura (\$25 Million)
- Fiesta Resort (\$20 Million)
- DFS Galleria (\$30 Million)
- Airport Expansion (\$102 Million)
- Sheraton Hotel Guam (\$40 Million)
- Guam Plaza Hotel (\$7 Million)
- Westin Resort Guam (\$13 Million)
- Hyatt Regency Hotel (\$10Million)
- Guam Plaza Hotel (\$5 Million)
- Tumon Sands Plaza (\$1.8 Million)



**Tumon/Hotel Row**

## Historical Visitor Arrivals 1990-2006



**1997: 1,381,510 Visitors – Highest Number of Arrivals**

## Visitor Arrivals – April 2007

### VISTOR ARRIVAL STATISTICS (Civilian & Armed Forces)

	April 2006	April 2007	% CHG
<b>TOTAL Air and Sea</b>	87,016	90,385	4%

### By Country - Air Arrivals

	April 2006	April 2007	% CHG
Japan	67,530	66,627	-1%
Korea	8,064	7,515	-7%
Taiwan	942	1,326	41%
U.S. Mainland	3,088	3,075	-
Hawaii	717	960	34%
CNMI	1,524	1,347	-12%
Palau	217	183	-16%
Federated States of Micronesia	674	608	-10%
Republic of the Marshall Islands	76	85	12%
Philippines	990	872	-12%
Australia	237	265	12%
Canada	55	61	11%
Europe	153	158	3%
Hong Kong	574	487	-15%
Nauru	0	0	-
Thailand	15	8	-47%
China P.R.C.	67	85	27%
Vietnam	3	0	-
Other/Unknown	300	359	20%
<b>TOTAL Air Arrivals</b>	<b>85,226</b>	<b>84,021</b>	<b>-1%</b>

### Calendar TYD Arrivals

	CY 2006	CY 2007	% CHG
<b>January - April</b>	427,577	415,090	-3%

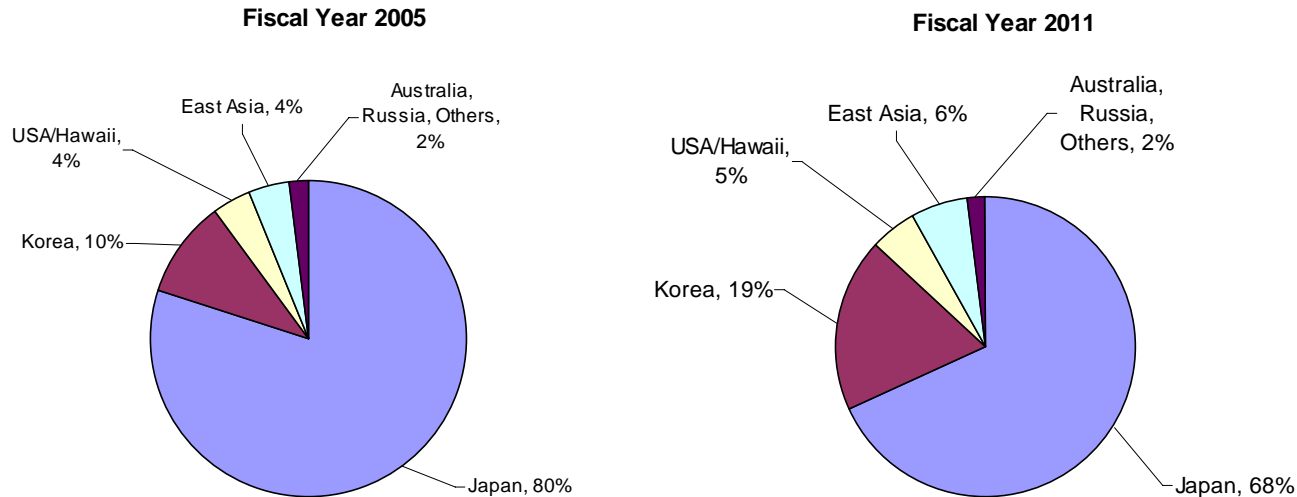
### Fiscal YTD Arrivals

	FY 2006	FY 2007	% CHG
<b>October - April</b>	723,376	705,452	-2%

## Visitor Industry Objectives

- Guam ranks 8<sup>th</sup> out of 36 insular economies on a Tourism Penetration Index (TPI)
- 1.5 million visitor arrivals projected in the next five years
  - Assumes moderate growth at 5%
- Main goals include:
  - Focus on developing attractions and improving service quality
  - Strengthen core markets of Japan and Korea
  - Diversify target visitor mix focusing on emerging markets including China & Russia











Target Visitor Mix 1995 vs. 2011 Projected



# Guam Overview

## Hotels

- More than 7,500 hotel rooms

<u>Major Hotels</u>	<u>Rooms</u>		<u>Major Hotels</u>	<u>Rooms</u>	
• Hilton	587		• Outrigger	600	
• Westin	426		• Guam Hotel Okura	148	
• Hyatt	455		• Hotel Nikko Guam	492	
• Marriott	436		• Pacific Islands Club	793	
• Fiesta Resort	434		• Leo Palace	112	

Source: Guam Visitors Bureau, April 2007

## Golf Courses

- Close to 200 holes of golf available at 9 golf course properties on island, two of which are military golf courses



**Mangilao** - Mangilao was officially opened in 1992 and is one of Guam's four newer golf courses. The entire back nine, which stretches along the Pacific Ocean, provides for many spectacular views and difficult shot making. The clubhouse dining room overlooks the golf course and the Pacific Ocean, providing memorable experiences as well.



**Start Guam Golf Resort - Start** consists of three nine hole courses. The East and West courses were built in 1987 and the more difficult North course was added in 1993. Start is the closest version on Guam to an American-style country club. The courses are more open and flatter than most courses on Guam with numerous sand traps and water hazards.



**Leo Palace** - Leo Palace, located in the middle of Guam, was officially opened in 1993 and has 36 holes. One of the nines was designed by Jack Nicklaus and two were designed by Arnold Palmer. The Nicklaus nine has large bunkers and curvy, narrow fairways. The Palmer nines characteristically conform to the lush environment with interesting hand-shaped bunkers as a unique design.



**Talofoto** - Talofoto is located in a hilly region with sharp changes in altitude and water hazards making it quite difficult. The course design and construction was supervised in cooperation with nine of the top senior golfers in the world. Each golfer was responsible for two holes, with his name taken as the name for the hole.

## Recent Private and Public Investments

### Capital Projects FY 2006 – 2007

#### *Private Sector Highlights in Dollar Amount:*

Organization	Dollar Amount
Access Development, Inc.	\$250,000,000
Paradise Estates	86,000,000
Ironwood Estates	23,000,000
Home Depot	20,000,000
DFS Galleria	6,593,200
Cars Plus	6,000,000
Castle Investment, LLC	6,000,000
First Hawaiian Bank	3,500,000
Agana Shopping Center	3,342,741
United Overseas Investment	3,000,000
Guam YK Corporation	2,245,540
JK Tile Retail Store and Warehouse	2,000,000
WMS Inc.	1,200,000
<b>Total</b>	<b>\$412,881,481.00</b>

#### *Public Sector Highlights in Dollar Amount:*

Department of Public Works	\$ 86,000,000
Guam Public Schools System	60,000,000
Guam International Airport Authority	29,019,809
GHURA	11,690,000
Guam Waterworks Authority	8,303,069
Guam Power Authority	6,000,000
Judiciary Forensic Laboratory	5,900,000
Guam Homeland Security	3,200,000
Guam Community College	291,137
<b>Total</b>	<b>\$ 210,404,015</b>

## U.S. Military Transformation Initiatives

- **Guam is geographically close to Asian hotspots.** As U. S. military troops deploy to Iraq and Afghanistan, other US forces have backfilled into Guam to maintain deterrence. Military bases in Guam put air and sea forces within striking range of hotspots in East Asia
- **Guam is American soil.** U.S. forces do not need host nation consultation or permission to position equipment and supplies or carry out military operations. Permanent fly over, basing and landing rights already exist
- **Guam has unencumbered air and sea space.** Light air and sea traffic provide substantial areas for air and sea live fire, special operations, joint war-fighting and operational readiness training
- **Guam has significant military facilities.** Deep water Apra Harbor with 17,000 linear feet of wharfage with ability to handle 3 Million pounds of ordnance; air field with dual two mile long runways, 7.5 Million square feet of ramp space, state of the art fuel hydrant system, largest Air Force base fuel storage capacity (66 Million gallons), largest Air Force munitions storage facility, and recently completed state of the art B-2 aircraft hangar; newly constructed Guard and Reserve administrative and operational facilities; and state of the art communications
- **Guam has room to accommodate additional military growth.** Military services own 39,000 acres or 29% of Guam's total land area with 17 Million gross square feet of buildings. Vacant and underused land areas can support significant additional growth



"The Security Consultative Committee reaffirmed their resolve to steadily implement the realignment initiatives described in the May 2006 SCC document "US –Japan Roadmap for Realignment Implementation" **US Secretaries of State and Defense and Japan Ministers of Foreign Affairs and Defense, May 1, 2007**

"If you start drawing circles from Guam, you can see how strategic it is in the region. This forward location cuts down on the time required to respond to a crisis or contingency in the region and makes Guam perfectly situated for the global war on terror." **Marine Corps General Peter Pace, Chairman, Joint Chiefs of Staff, June 2, 2006, American Forces Information Service**

"Guam, when it is fully operational, will provide a base for land, naval and air forces closer to targets than for forces on the U. S. Mainland or Hawaii." **Admiral William J. Fallon, Commander, U. S. Pacific Command March 13, 2006**

"Guam is the tip of the spear in a strategic location" said **General Paul Hester, Commander, U.S. Pacific Air Forces.** "It provides us the opportunity to position forces here rotationally and permanently to do America's business this far out in the Pacific Ocean." Jan. 25, 2005

## Proposed Military Missions

- **Marine Relocation from Okinawa.** \$10.27 Billion commitment for the relocation of 8,000 Marines and 9,000 dependents from Okinawa to Guam by 2014
- **Bed-down of Training and Support Initiatives at Northwest Field, Andersen Air Force Base Guam.** \$200-300 Million for 2006-2011 and beyond projected for creating expeditionary combat support and training campus consisting of additional 380 military and civilians (plus students) and 800 dependents
- **Establishment and Operation of an Intelligence, Surveillance, Reconnaissance, and Strike Capability, AAFB Guam.** \$200+ Million estimate to construct facilities from 2007 to 2016 to accommodate rotational bombers, periodic fighter aircraft, Global Hawk unmanned aerial vehicles and permanently based tankers to include 700 military/civilians and 1,600 dependents
- **Forward Deployment of Navy Ships.** \$187-241 Million in various wharf improvements from FY06-FY09 including improvements for accommodating a ballistic missile submarine, a new T-AKE vessel, visiting nuclear aircraft carriers High Speed Vessels, littoral combat ship and other vessels increasing the Navy population by 5600 active and 5300 dependent personnel
- **Establish Ballistic Missile Defense System.** Unspecified amount of investment to accommodate U.S. Army Ballistic Missile Defense System consisting of 600 active and 900 dependent personnel



"The Joint Guam Program Office will work closely with the Government of Guam to ensure this initiative is mutually beneficial to DoD and to the People of Guam." **The Honorable B. J. Penn, Assistant Secretary of the Navy** before the House Readiness Subcommittee, March 20, 2007



"I think moving 8,000 Marines off Okinawa to Guam is a very positive and sincere step on behalf of both of our governments to reduce the burden on the Okinawa people." **Lt. General Joseph Weber, Commander, Third Marine Expeditionary Force**



"To lead the way in what President George Bush has said is the 'Century of Asia,' the Air Force has plans to bed down Global Hawks and training facilities at Northwest Field and possibly a permanent tanker Squadron. Guam is a great jumping off place to make this all happen." **Secretary of the Air Force Michael W. Wynne**, Mar. 23, 2006



"Guam's central location makes the waters off the U. S. territory the best place for the ships, planes and troops to rendezvous without spending too much time in transit." **Admiral Gary Roughead, Commander, U. S. Pacific Fleet** in Honolulu Advertiser, April 17, 2006

## Military Investments

- **FY07 National Defense Authorization Act appropriated \$209 Million for Guam:**
  - Global Hawk Maintenance/Ops Facility \$52,800,000
  - Northwest Field Infrastructure Phase I \$12,500,000
  - Alpha/Bravo Wharf Improvements II \$29,772,000
  - North Tupalao Housing Construction \$50,157,000
  - Old Apra Housing Construction \$48,017,000
- **DoD's FY08 Military Construction for Guam (House approved, pending Senate action) - \$244.4 Million**
  - Kilo Wharf Extension Phase 1 \$51,800,000
  - Hardening Naval Base Electrical System \$59,400,000
  - Navy Family Housing \$57,000,000
  - Navy Fitness Center \$45,200,000
  - Wastewater Treatment Plant Upgrades \$40,800,000
  - Potable Water Dist. Phase 1 \$31,400,000
  - Northwest Field Infrastructure \$10,000,000
  - NW Field Technical Training Facility \$ 5,800,000



"The Japanese Diet voted into law a bill to promote the realignment of U.S. Forces in Japan. The new temporary law, which expires in 10 years, is designed to help implement U.S. military plans, such as the transfer of thousands of Marines to Guam." **The Asahi Shimbun, May 24, 2007**

"Once the projects start, in a couple of years, more than \$10 Billion will be spent relatively quickly, over a period of about five years." **Deputy Undersecretary of Defense for Asian and Pacific Affairs Richard Lawless, in Pacific Daily News, May 24, 2006**

The disadvantage to Guam is the rundown state of the island's infrastructure. "I want that infrastructure fixed." **Admiral William Fallon, Commander, Pacific Command in Honolulu Advertiser, March 14, 2006**



## ***Tax Incentives***

- The Government, through the Guam Economic Development and Commerce Authority (“GEDCA”) offers various tax incentives that promote industrial and economic development on Guam
- **Standard Benefits:**
  - Industries - Tourism, Manufacturing, Commercial Agriculture, Fishing & Aquaculture
  - Up to 75% Rebate of Corporate Tax for up to 20 Years
  - Up to 75%% Rebate of Dividend Tax for up to 5 Years
  - Up to 100% Abatement of Real Property Tax for up to 10 Years
- **Special Benefits:**
  - Industries - Insurance & Recycling
  - Up to 100% Rebate of Corporate Tax for up to 20 Year/10 Years for Recycling
  - Up to 100% Abatement of Gross Receipts Tax for up to 20 Years/10 Years for Recycling
  - Up to 100% Abatement of Real Property Tax for up to 10 Years - Recycling only
  - Up to 100% Exemption of Use Tax for up to 10 Years - Recycling only
  - Up to 100%% Rebate of Dividend Tax for up to 20 Years - Insurance only

## ***New and Emerging Industries***

- GEDCA has been exploring opportunities to generate economic activity and generate revenues for the Government including
  - Arbitration & Mediation Center – Establish Guam as a neutral location for U.S. companies to conduct arbitration with Asian businesses
  - Regional Distribution Center - Utilizing bonded warehousing on Guam as a consolidation and customs clearance center
  - Regional Recycling Center – Create a collection and transshipment center on Guam for recyclable materials in the region
  - Captive Insurance - Captive Insurance with focus on Asian captives
  - Professional Education & Certification - Convenient location for US companies to credential Asian professional hires
  - Film, Video, Commercials - Regional venue for television and commercial film production for Asian producers

## ***Economic Development Initiatives***

- Ancestral lands – GEDCA, under a property management agreement with the Guam Ancestral Lands Commission has over 1,000 acres of public land available for development to support new industries and generate new revenue
- Increase capacity by maximizing grant and development opportunities – GEDCA has secured federal grants from the Office of Economic Adjustment (“OEA”), U.S. Department of Agriculture (“USDA”), U.S. Environmental Protection Agency (“USEPA”) and the Department of Interior (“DOI”) to study different aspects of growth opportunities on the island
  - Hiring of KPMG, advisor to the Government of Guam on the Military Integration and Growth (“MIG”) Program
  - Leverage technical and financial resources of Federal departments and agencies

**Guam Industry Forum**

**August 23 & 24, 2007**

**Sheraton Laguna Guam Resort**

**&**

**Guam Hilton Resort & Spa**

**Website: [www.guamindustryforum.com](http://www.guamindustryforum.com)**

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